

Internal Revenue Service

Department of the Treasury

District
Director

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

OCT 27 1981

Gentlemen:

We have considered your application for exemption from Federal income tax, as an organization described in Section 501(c)(7) of the Internal Revenue Code.

The evidence presented discloses that you were incorporated [REDACTED] as a non-profit non-stock corporation in the State of [REDACTED]. Your purpose as stated in your Articles of Incorporation is to promote and enjoy the sport of motorcycling. Your purpose as stated in your application is the promotion, education and enjoyment of motorcycling by those individuals with a common interest in such activities. The organization shall provide members the opportunity to meet, to enjoy the sport as well as sharing such enjoyment with non-members through individual and community association, promotion and educational programs for non-members. The promotional and educational programs shall include organization and operation of our annual swap meet which will bring together motorcycle novices with those having a significant background and allow participants to see and discuss with others the mechanical equipment available for the sport.

Section 501(c) of the Internal Revenue Code of 1954 describes certain organizations exempt from income tax under section 501(a) and reads in part as follows:

"(7) clubs organized for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder."

Section 1.501(c)(7)-1 of the Income Tax Regulations provides, in part, as follows:

"In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues, and assessments."

Revenue Ruling 68-638, 1968-2 C.B. 220 states, that a club formed to maintain a country club for the promotion and enjoyment of golf for its members, which receives, as host of an annual golf tournaments, substantial income from the public, and uses the income for club operating expenses and improvements is not exempt under IRC 501(c)(7).

The organization does have an annual swap meet known as the promotional and educational program for non-members. The receipts from this activity are substantial in amount and no records were kept to separate member income from non-member income.

The original burden is on the applicant to prove by a preponderance of the evidence that it falls within the statute, i.e., that it is operated for pleasure and recreational purposes. We hold that the organization has failed on the application as presented, to carry its burden and the application for recognition of exemption from Federal income tax as an organization described in section 501(c)(7) is, therefore, denied.

If you do not accept our findings, we recommend that you request a conference with the office of Regional Director of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional office, or, if you request, at any mutually convenient District office.

If we have not received an appeal within 30 days from the date of this letter, this communication will become our final determination.

Further instructions concerning protests are contained in the enclosed Publication 892.

Any submissions must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a Power of Attorney and evidence of enrollment to practice must be met.

Sincerely yours,



District Director

Enclosures:
Publication 892
Form 6018